

Service Date: July 9, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Application)	Utility Division
of THE MONTANA POWER COMPANY for)	
Authority to Establish Increased)	Docket No. 90.6.39
Electric and Natural Gas Service)	
Rates.)	Interim Order No. 5484
_____)	

FINDINGS OF FACT

On June 27, 1990, the Montana Power Company (MPC or Company) filed an application with the Public Service Commission (Commission) for authority to increase rates for electric and gas services. The application showed a total jurisdictional electric utility revenue deficiency of \$60,657,272 and a natural gas utility revenue deficiency of \$9,581,408. A motion for an interim increase in rates was filed concurrent with the general case. The application showed that the deficiency calculated in accordance with the Commission's interim rate increase rules (ARM Section 38.5.501, et seq.) is \$30,631,352 for the electric utility.

Pursuant to the Commission's rules on interim rate increases, ARM Section 38.5.501, et seq., applicant has given proper notice of its interim rate increase requests. Such notice was given to the Montana Consumer Counsel, parties to applicant's most recent general rate increase application, and to media for general dissemination state-wide. The notice advised interested parties to notify the Commission speedily of any comments relative to the request.

Included in the request to increase electric rates in the general case and in the motion for an interim increase in electric rates is a request to reflect an increase in firm purchased power costs incurred under the WNP-1 Exchange Agreement.

The WNP-1 Exchange Agreement is a contract among Washington Public Power Supply System (WPPSS), BPA and MPC. The price for power received under the agreement had originally been set at the BPA Priority Firm rate. Beginning July 1, 1990, however, the price, according to the agreement, was to be based on actual costs of the WNP-1 nuclear project. The WNP-1 project was suspended in the early 1980s and a dispute arose as to the calculation of the July 1990 price. Following a lawsuit filed by MPC and four other Northwest investor-owned utilities in October 1989, the parties reached an agreement as to price through settlement negotiations. The agreed price for the first year is 43 mills per kwh, which will become effective July 1, 1990.

The Commission, without prejudice to what it may determine in the general electric rate increase proceeding, finds that the applicant has demonstrated that an interim annual electric rate increase is needed to at least cover the increase in firm purchase power costs incurred under the WNP-1 Exchange Agreement, that will increase effective July 1, 1990.

The Commission acknowledges that the Company has agreed to defer until August 29, 1990, the electric interim order's effective date, as the annual rate change in the Company's Rate Moderation Plan will also take place on that date.

In this docket, the Commission finds that MPC will incur attrition as a result of the WNP-1 Exchange Agreement price increase for the time period of July 1, 1990, to August 29, 1990, the date the interim order will become effective. The Commission finds that it is appropriate to mitigate this attrition incurred by MPC's agreement to the August 29 date.

Therefore, the Commission finds that it is appropriate to allow MPC to accrue the unreflected costs of WNP-1 power from the effective date of this order to August 29, 1990, the date contemplated for an electric rate change. These accrued costs will then be recovered as part of the August 29, 1990, rate change.

The unreflected costs of WNP-1 power that will accrue from July 2, 1990, to August 29, 1990, shall be computed by deducting the amount reflected in Docket 88.6.15 for WNP-1 Purchased Power from the total annual WNP-1 contract price for July 1, 1990, to June 30, 1991, and dividing that amount by twelve to get the total monthly amount of unreflected costs. The total monthly amount of unreflected costs shall be prorated over the number of days passed from the date of the order or July 1, 1990, whichever is later, to August 29, 1990, to derive the total unreflected accrued cost, as in the following example:

WNP-1 Billing Amount (7/1/90 to 6/30/91)	\$25,614,240
Less: WNP-1 Docket 88.6.15 Purchased Power Amount	-14,034,219
Total Unreflected Costs of WNP-1	<u>\$11,580,021</u>
	<u>-: 12 months</u>
Total Monthly Unreflected Costs	<u>\$ 965,002</u>
<u>WNP-1 Accrued Cost</u>	
July 1, 1990 - July 31, 1990 (965,002 x 31/31)	\$ 965,002
August 1, 1990 - August 29, 1990 (965,002 x 28/31)	902,744
Total Accrued Unreflected Costs of WNP-1	<u>\$ 1,867,746</u>

CONCLUSIONS OF LAW

1. The foregoing Findings of Fact are being incorporated as Conclusions of Law.

2. The Montana Power Company is a public utility furnishing electric services to consumers in the State of Montana and is subject to the supervision, regulation, and control of the Montana Public Service Commission. Section 69-3-103, MCA.

3. Section 69-3-304, MCA, provides in part, "The Commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision."

4. The amount of interim relief approved by the Montana Public Service Commission in this order meets the requirements of the administrative rules governing interim rate increases. ARM 38.5.501, et seq.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

The Montana Power Company shall have interim authority to accrue the unreflected costs of WNP-1 power from the effective date of this order to August 29, 1990, and those accrued costs shall be amortized in an August 29, 1990, interim rate change. If any or all WNP-1 costs are found to be unreasonable in the final order in this docket, the accrual and collection of such WNP-1 costs from the date of this order to the date of the August 29 order shall be refunded, to the full extent that any collections have been made from ratepayers. Interest shall be computed at the utility's return on equity for purposes of calculating such refunds.

DONE IN OPEN SESSION, this 2nd day of July, 1990, by a 4 to 1 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Vice Chairman

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

REX MANUEL, Commissioner
VOTED TO DISSENT - No Dissent Written

ATTEST:
Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.